

Message Text

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46

ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /168 W

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R 191220Z MAY 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 6510

INFO AMEMBASSY VIENNA

C O N F I D E N T I A L TEHRAN 3978

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: POSSIBLE SURCHARGE ON OIL COMPANY PROFITS

REF: STATE 103866

1. ON MAY 19 THE AMBASSADOR SPOKE TO INTERIOR MINISTER AMOUZEGAR, WHO HAS RETAINED HIS OPEC RESPONSIBILITIES, ABOUT A POSSIBLE OPEC ATTEMPT TO IMPOSE A SURCHARGE ON "EXCESS" OIL COMPANY PROFITS. AMOUZEGAR SAID THAT THE OPEC SECRETARIAT HAD OVERSIMPLIFIED AND CONFUSED A SITUATION THAT IS NO LONGER RELEVANT. HE WENT ON TO EXPLAIN THAT THE SECRETARIAT HAD CALCULATED THAT OIL COMPANIES WERE GETTING A DIFFERENCE OF ABOUT \$3 A BARREL BETWEEN WHAT THEY PAID PRODUCER COUNTRY GOVERNMENTS PLUS PRODUCTION COSTS AND EXPENSES AND WHAT THEY WERE SELLING OIL FOR. ON THE FACE OF IT THIS WAS FAR MORE THAN THE 50 CENTS A BARREL PROFIT IRAN THOUGHT THE COMPANIES OUGHT TO MAKE. THIS SIMPLE CALCULATION, HOWEVER, DID NOT TAKE INTO ACCOUNT WHAT THE COMPANIES ARE ACTUALLY PAYING IN BUYBACK PRICES TO PRODUCER COUNTRIES OF ABOUT \$11 A BARREL. ALSO, IT DID NOT TAKE INTO ACCOUNT THE FACT THAT THE COMPANIES HAD TO MARKET
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THEIR OWN QUITY OIL AT ABOUT \$11 A BARREL IN ANTICIPATION

OF THE NEED TO PAY PRODUCER COUNTRIES RETROACTIVELY FOR AMOUNTS THAT WOULD BECOME DUE UNDER NEW PARTICIPATION AGREEMENTS. NOW THAT THE FIRST PARTICIPATION AGREEMENT HAS BEEN REACHED IT IS FORESEEN THAT PRODUCER COUNTRY TAKE WILL AMOUNT TO ABOUT \$9.50 A BARREL, LEAVING COMPANIES A PROFIT OF ONLY ABOUT \$1.50. EVEN THIS PROFIT IS NOT ASSURED IN EVERY CASE, HOWEVER, IN THAT SOME OIL IS SOLD FOR CONSIDERABLY LESS THAN AT OR NEAR POSTED PRICES. AMOUZEGAR SAID, FOR EXAMPLE, THAT HE KNOWS COMPANY EQUITY OIL IS GOING TO INDIA FOR \$8.80 A BARREL.

2. IN SUM, AMOUZEGAR SAID THAT IN HIS OPINION THE QUESTION OF A POSSIBLE OPEC SURCHARGE ON OIL COMPANY PROFITS IS NOW A NON-ISSUE.
HELMS

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